

**Statement of Marybeth Peters  
The Register of Copyrights  
before the  
Subcommittee on Legislative Branch Appropriations  
Senate Appropriations Committee  
United States Senate  
FY 2008 Budget Request  
May 3, 2007**

Madam Chairwoman, Senator Allard, and other members of the Subcommittee:

Thank you for the opportunity to present the Copyright Office's FY 2008 budget request.

The Copyright Office is completing its reengineering project which you have generously supported for the past seven years. In FY 2008 we are returning \$10.1 million in non-recurring funding from the Basic Fund that was used for this project. Renewal receipts are decreasing by \$850K. Our mandatory and price level request is \$3.4 million, and we request a temporary \$1 million increase in offsetting collections authority to use receipts in the no-year account to fund the Office's Records Preservation Project. The net effect of these requests is a \$6.6 million decrease in the Copyright Office Basic fund. In addition, we request a \$5.6 million decrease in permanent net appropriations spending authority and a corresponding permanent increase in offsetting collections spending authority due to the July 1, 2006, fee increases that bring in more annual receipts. The net impact on the total spending authority is zero.

The Office requests the elimination of the CARP fund since these program activities have been transferred to the Copyright Royalty Judges, an independent entity under the Librarian of Congress. We also request mandatories and price levels for the Licensing Division.

I will discuss these requests in more detail, after I provide some brief highlights of the Office's work and an overview of our accomplishments in reengineering.

## **Review of Copyright Office Work**

### Policy and Legal Activities

We continue to work closely with the Senate Committee on the Judiciary; this year the focus is on "orphan works," that is photographs, text and other content for which a user cannot identify or locate the copyright owner. At the request of Senators Leahy and Hatch, the Office conducted a year long study of the problems and potential solutions. Our report, delivered in January 2006, recommended a new section 514 which would allow a good faith user to proceed to use such a work following a reasonably diligent search to locate the copyright owner. If the copyright owner emerged, he would receive reasonable compensation from the user, except in one limited situation. Although no bill was introduced in the Senate last year, the Senate Subcommittee on Intellectual Property held a hearing on April 6, 2006, on our recommended solution; the Associate Register for Policy and International Affairs, the primary drafter of the

report, represented the Office. We expect a bill to be introduced in the Senate in the not too distant future, and we are hopeful that it will be enacted.

The Copyright Office participated in numerous multilateral, regional, and bilateral negotiations and U.S. delegations to meetings of international organizations in FY 2006. This included heading the U.S. delegation to the 14th and 15th sessions of the World Intellectual Property Organization's Standing Committee on Copyright and Related Rights, which considered the draft basic proposal for a treaty on the protection of broadcasting organizations.

The Office also continued to assist the Justice Department in a number of important court cases related to copyright or with significant copyright implications, including cases on the copyrightability of settlement prices, the constitutionality of various provisions of the copyright law, refusal to register certain claims, and Supreme Court cases raising antitrust issues.

### Registration and Recordation

During FY 2006, the Copyright Office received 594,125 claims to copyright covering more than a million works and registered 520,906 claims, including 20,434 registrations submitted electronically. We recorded 13,016 documents covering more than 350,000 titles of works. During the year, the Office transferred 1,120,791 copies of registered and nonregistered works valued at more than \$41 million to the Library of Congress for its collections.

### Public Information and Education

The Office logged more than 31 million external hits on key pages of its website during the year, a six percent increase over the previous year. In FY 2006, the Office responded to 338,831 requests for direct reference services, and assisted 8,886 members of the public in person, taking in 12,758 registration applications and 2,463 documents for recordation. The Office answered 106,141 telephone inquiries, 8,380 letter requests, and 29,795 email requests for information from the public.

In response to public requests, the Office searched 12,792 titles and prepared 832 search reports and assisted 8,886 visitors to the Copyright Card Catalog. The Office published twenty issues of *NewsNet*, an electronic news update about the Copyright Office and copyright-related activities, to 6,333 subscribers.

### Licensing Activities

The Licensing Division collected nearly \$227 million in royalty payments during FY 2006 and distributed royalties totaling more than \$191 million. The division worked on developing options for electronic filing for cable Statements of Account to be tested in a pilot e-filing program, scheduled for FY 2007.

## **Reengineering Program**

The Copyright Office has many to thank for the support we have had during the past seven years for our Reengineering Program initiative. We especially thank the Committee for the support you have given us through appropriations; we thank the Architect of the Capitol for their dedication to completing the facilities work on time and within budget; and we thank the Library's infrastructure units, the labor organizations, and our own staff, whose support has been crucial to our success.

Online service is at the heart of improvements coming to the Office as part of this major reengineering effort. The Copyright Office of the future is scheduled to arrive this year with the full implementation of *eCO*, the electronic Copyright Office, which combines the efficiency and cost savings of an integrated, enterprise-wide information system with the reach of the World Wide Web. The *eCO* system will improve the timeliness of our services, increase public access to copyright records, and provide better tracking of individual items in the workflow. At the same time, *eCO* will greatly enhance our ability to acquire digital works for the Library's collections. This is particularly important since we expect the number of born digital works submitted for deposit to trend upward indefinitely.

The Office's implementation efforts in FY 2006 continued to focus on the three components that support the reengineered processes: information technology, facilities, and organization. Because the three components are interconnected and the Office must provide uninterrupted customer service, the Office will implement all components at one time when it switches to new processes in 2007.

### **Information Technology**

At that time, the Office will release *eCO* Service to the public who can submit applications, deposits, and fees electronically through a portal on the Copyright Office website. This will reduce the paperwork and the effort involved in submitting an application and, as a further incentive, we are proposing to offer a reduced fee for this online registration. A copy of the work being registered can also be uploaded along with the electronic application or submitted separately in hard copy according to the Library's best edition regulation. In addition to reducing the burden for the applicant, online registration will also reduce the cost to the Copyright Office in the long term. For applicants who choose not to use the *eCO* Service, we will also put in place the capability to process paper applications.

Enhanced online search capability for Copyright Office records will be implemented in 2007 for searching registrations and recordings created since 1978. The *eCO* Search feature will have the look and feel of the Library's bibliographic record system. The copyright record will clearly delineate the information provided by the applicant and the bibliographic information taken from the deposit copy.

During FY 2008, the Office will refine the information technology processes through adjustments and reconfiguration of the software. Despite the testing and pilot processing that has been done and will continue, the first year of use may be a challenging year as the system is

exercised under full load. A help desk will be available to staff and the public to assist them in their use of the new system

### Organization

On the organization front, the Copyright Office presented its reorganization package to the Library's Office of Human Resources Services on November 20, 2006. The package included the plan for the reorganization and 125 new position descriptions that were created to align job duties with our new business processes under reengineering. The Librarian reviewed and approved the reorganization package and implementation will begin almost immediately in order to have staffing completed in time for the move back to the Madison Building. The Office must bargain any impact of the reorganization with the labor organizations.

Training has already begun to provide staff with skills needed in their new positions and will intensify in the spring of 2007. For the past 16 months, examiners and catalogers have been cross-trained to be able to perform both duties in the new registration specialist position. The Office hired a Training Specialist in 2006 and she refined the Training Plan to include methods for training 35 trainers who will in turn train the staff in *eCO*. Training in soft skills, such as effective communication and team building, was required of the entire staff involved in the reorganization.

### Facilities

The project passed two major milestones in FY 2006. First, nearly all staff and contractors moved to swing space locations to permit the renovation of Copyright Office space in the Madison Building. Approximately 75 percent moved to temporary swing space in Crystal City in July 2006; others moved to swing space within the Capitol Hill complex; and a few remained in place until the new space was ready for occupancy. Second, after years of planning, the Architect of the Capitol began the renovation of Copyright Office space in the Madison Building. The Architect of the Capitol is making great progress and remains on schedule to complete the renovation of Copyright Office space in the Madison Building this year. Of particular note, the new Copyright Public Record Reading Room, which houses the Office's card catalog comprising some 30,000 individual catalog drawers in 1,234 cabinets, opened to the public on December 11<sup>th</sup> of last year. Most Office staff that remained on Capitol Hill during the renovation have already moved into their newly renovated space, and staff currently working in temporary office space in Crystal City will move back to the Madison Building beginning June 1 and ending August 10, 2007.

### **FY 2008 Budget Request**

#### Reengineering

No new funding is needed for reengineering in FY 2008. Rather, the Office is reducing its offsetting collections authority for reengineering by \$6.1 million and its net appropriation authority by \$4,036,000 for a total reduction of \$10.1 million since most of the reengineering

program will be completed in FY 2007 except for the IT system, which will be completed in FY 2008 with adjustments and reconfiguration of the software as necessary.

### Renewal Receipts

With respect to renewal registrations, the Office is reducing its offsetting collections authority by \$850,000 and reducing staff by five due to the fact that the number of renewal registrations will decrease significantly in FY 2007 and remain at that level or lower from that point on.

When renewal registration was required, the Office annually registered approximately 52,000 claims. Since the enactment of the automatic renewal provision in 1992, the number of renewal claims has decreased each year. In FY 2006, the Office received approximately 8,782 renewal claims bringing in fees of approximately \$531,305. In FY 2007, we believe that amount will drop to about \$150,000 and continue at that level or lower in FY 2008 and thereafter.

### Adjustment of Fees

The Office requests an increase in offsetting collections spending authority of \$5.6 million that is matched by a reduction in net appropriation spending authority of \$5.6 million due to an increase in its fees in July 2006. In accordance with § 708 of the copyright law, the Office completed a cost study and, for services specifically enumerated in § 708(a)(1)-(9) (statutory fees), submitted the cost study and proposed fee schedule increase to Congress on March 1, 2006. The major change was the increase in the basic registration fee from \$30 to \$45. Congress took no action and the Office implemented the new fees. The new fees are projected to bring in an additional \$5.6 million in receipts.

On February 21, 2007, the Office submitted a second cost study, entitled "Analysis and Proposed Copyright Fee Adjustments," to Congress. The key proposal is a lower fee of \$35 for electronic registration. The Copyright Office plans to implement the use of the lower fee service on or after July 1, 2007, to coincide with its transition to the new, reengineered processes and the initiation of *eCO* Service. The lower fee for electronic filings has been proposed for two reasons. First, the proposed fee adjustment for basic registration filings is being adopted in anticipation of lower processing costs which will be realized once the Office has had an opportunity to fully integrate the new processes. Electronic filings will be processed in fewer steps than paper filings and thus represent a savings to the Office. Moreover, a lower fee will provide applicants with a strong incentive to file electronically.

The impact of electronic filing on the Office will not be known for at least one year. Until that time the Office will be unable to project any fee or staff adjustments.

### Copyright Records Preservation

The Office requests \$1 million in offsetting collections authority to use no-year receipts to fund the digitization of 70 million pre-1978 copyright records. The key objectives of this record digitization project are (1) disaster preparedness preservation of pre-1978 public records

and (2) provision of online access to those public records. Copyright records are vital to the mission of the Library and the Copyright Office and they are important to the public and the copyright industries that are a significant part of the global economy. The pre-1978 records document the ownership and copyright status of millions of creative works. Loss of these sole-copy public records due to a site disaster would trigger a complex and expensive intellectual property ownership dilemma.

The first stage would cost approximately \$6 million over a six year period and would achieve the preservation goal and very basic online access. The second stage would add item level indexing, enhanced searching and retrieval, costing between \$5 million and \$65 million depending on the extent of fields indexed.

### CARP

With respect to CARP, the Office is reducing its offsetting collections authority by \$297,000 and terminating the CARP Fund.

### Conclusion

Madam Chairwoman, I ask you to support the FY 2008 Copyright Office budget request for the Basic and Licensing Appropriations of \$50.1million for a permanent decrease in the Copyright appropriations of \$6.6 million. Our request includes a non-recurring funding for the Records Preservation Project.

I thank the Congress for its past support of the Copyright Office requests and for your consideration of this request in this challenging time of transition and progress.